

13 FEB 1992 sent copy  
to organization.  
FAXED FROM NO.

SD 10-154

SEP 4 1991

Dear Applicant:

We considered your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code. Based on the information submitted, we conclude that you fail to qualify for exemption under section 501(c)(3) of the Code.

The information submitted indicates that you were incorporated on [REDACTED]. Your purpose is to promote interest in and support for national and international amateur gymnastics competition. Your primary activity is subsidizing the training and meet costs of gymnasts enrolled in the [REDACTED], a separate for-profit gym. These costs include the gymnasts' travel expenses, meet entry fees, lodging fees, and training clinic fees. You also pay the expenses the gym coaches incur while attending meets.

Your membership consists of coaches, and parents or legal guardians of competitive team members in a gymnastic club, [REDACTED]. Your members paid dues totaling \$[REDACTED]. Your members participate in fund-raising activities.

Section 501(c)(3) of the Code provides exemption to organizations organized and operated exclusively for educational, charitable or other exempt purposes provided that no part of the net earnings inure to the benefit of any private shareholder or individuals.

Section 1.501(a)-1(c) of the Income Tax Regulations provides that the words "private shareholder or individual" in section 501 refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized and operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirements of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creators, the shareholders of the organization or persons controlled, directly or indirectly, by such private interests.

Rev. Rul. 65-2, 1965-1 C.B. 277, describes an organization which was organized and operated for the purpose of teaching a particular sport to children. The organization's activities consist of conducting clinics, in schools, playgrounds, and parks. The organization provides free instruction, equipment and facilities, encourages youth participation in tournaments, and arranges for attendance of players and instructors at state tournaments. Its programs and facilities are available to any child in the community who desires to participate, is physically able and has reached the qualifying age level. The ruling indicates that the organization's activities of instructing individuals to develop their capabilities are educational. Further, its furnishing of free instruction, equipment and facilities to children of the community is accomplishing charitable purposes of combatting juvenile delinquency and lessening the burden of government. Accordingly, the organization qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-215, 1980-2 C.B. 174, describes an organization that is formed to develop, promote, and regulate a sport and promote sportsmanship competition for junior players in the state. The organization is comprised of affiliated individual associations, clubs, leagues and teams. The organization organizes local and state-wide competitions for individuals under the age of 18, promulgates rules, organizes officials, presents seminars for players, coaches, and referees, provides a framework for protest, appeals and procedures, and encourages the growth of the sport throughout the state. The ruling holds that the organization's activities directed to individuals under the age of 18 combat juvenile delinquency and promote the education of children. Therefore, the organization qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 69-175, 1969 C.B. 149, describes an organization formed by parents of pupils attending a private school exempt under section 501(c)(3) of the Code. All control over the organization rests with the parents. The organization provides bus transportation to and from the school for those children whose parents belong to the organization. The ruling states that

[REDACTED]

when a group of individuals associate to provide a cooperative service for themselves, they are serving a private interest. By providing bus transportation for school children, under the circumstances described, the organization enables the participating parents to fulfill their individual responsibility of transporting their children to school. Thus, the organization serves a private rather than a public interest. Accordingly, the organization does not qualify for exemption under section 501(c)(3).

Your primary goal is to provide financial support to the gymnasts who train and compete through [REDACTED]. Usually, the gymnasts' parents and guardians would pay the expenses that you subsidize. The parents and guardians of the gymnasts who train and compete through the [REDACTED] control you. You serve the private interests of the parents whose children train and compete through [REDACTED]. In addition, you provide a private benefit to the for-profit gym, [REDACTED] by providing financial support to its coaches and by promoting its gymnastics teams. You operate not exclusively for exempt purposes by serving the private interests. See section 1.501(c)(3)-1(c)(1) and 1.501(c)(3)-1(d)(1)(ii) of the regulations.

You are analogous to the organization described in Rev. Rul. 69-175 that was held to primarily engage in activities designed to fulfill parental responsibility of its members. You are distinguishable from the organizations described in Rev. Ruls. 65-2 and 80-215. Those organizations provided benefits to all children while you provide benefits only to the children of the parents who control you. Therefore, you do not qualify for exemption under section 501(c)(3) of the Code.

Contributions to you are not deductible under section 170 of the Code.

You are required to file federal income tax returns by using Form 1120.

You have the right to protest our ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, this person must file a proper power of attorney and otherwise qualify under our

[REDACTED]

Conference and Practice Requirements.

If you do not protest this ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director in Los Angeles, California. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

The appropriate State Officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

(signed) [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 2

cc: [REDACTED]

Attn: EO Group